

# Annual Report for 2002

ADVANCING EDUCATION THROUGH COOPERATION



**Midwestern Higher Education Commission**



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Annual Report, March 2003  
Midwestern Higher Education Commission  
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# FROM THE PRESIDENT

March 2003

Dear Higher Education Supporters:

As we review our progress this past year and look forward to a prosperous 2003, I am grateful for the support that Commissioners have provided in building an even stronger interstate partner for Midwestern higher education.

We have re-examined MHEC's mission and added a policy component that will provide better information and analysis to educators and policymakers in the region. As a result of a grant application that I filed with the Lumina Foundation earlier this year, we have been informed that we are likely to receive a \$50,000 planning grant for the purpose of implementing our new policy agenda.

In the ongoing effort to demonstrate the value of MHEC to our member states, we have been making major improvements in our communications strategy. First, we have been redesigning the MHEC website ([www.mhec.org](http://www.mhec.org)), which will include a message board to encourage a dialogue among our state partners. We have also been designing a new brochure to explain the nature of the interstate compact that will help market our programs to our constituencies. We've also strengthened the role of state government relations in each of our states.

I might also mention how proud I am of the staff's contribution this past year in moving MHEC forward and to positioning it to play a key role in Midwestern higher education. Our programs in master property, telecommunications, computing services and Midwest Student Exchange are still the core products of MHEC and, thanks to the staff, have never been stronger. I am confident that their hard work this year will serve MHEC well in the years to come.

Sincerely,



Bob Kustra  
President

The Midwestern Higher Education Commission is a nonprofit regional organization established by compact statute to assist Midwestern states in advancing higher education through interstate cooperation and resource sharing.

The Commission seeks to fulfill its interstate mission through programs that:

- enhance productivity through reductions in administrative costs
- encourage student access, completion and affordability
- facilitate public policy analysis and information exchange
- facilitate regional academic cooperation
- encourage quality educational programs and services in higher education

# MHEC PROGRAMS

## Computing Hardware

**Program Officer: Rob Trembath**

On higher education campuses today computers have moved from a complementary consideration to an integral part of the education process. Institutions, as well as faculty, staff and students need the latest and best hardware to effectively and efficiently function. The Midwestern Higher Education Commission's Hardware Program enables both institutions and individuals the opportunity to obtain the most competitive pricing on desktops, laptops and other hardware.

MHEC's Computing Resources Taskforce, a representative group of college and university chief information officers, computing resource directors, chief business officers and procurement directors from throughout the Midwest, established the Hardware Program. After reviewing its options, the Taskforce's Hardware Committee determined that MHEC should join the Western States Contracting Alliance (WSCA) which had instituted a national hardware acquisition program following an extensive Request for Proposal (RFP) process. The WSCA program offered many benefits, and the Committee felt with some additions, it would be a very good application for higher education. The Hardware Committee then conducted its own RFP process with the WSCA selected hardware vendors to tailor the WSCA program to more closely match the needs of higher education.

Currently, MHEC's Hardware Program has agreements in place with Gateway, Dell and IBM. The agreements include WSCA pricing discounts on all products, and even better pricing on specific computer bundles pre-configured with higher education uses in mind. In addition, the Committee is working with Gateway, Dell and IBM to offer special training, maintenance and other features specifically benefiting higher education. Faculty staff and students can also benefit from the MHEC Hardware Program. Both Gateway and Dell are offering their best consumer discounts to all faculty, staff and students. Not only do these groups get the advantage of great pricing; they can also take comfort in knowing they only have to go to one place to get this great pricing. College and university administrators, faculty, staff and students need to go to [www.mhectechnology.org](http://www.mhectechnology.org), the website MHEC established to facilitate on line procurement.

The table below summarizes, by state, institutional purchases and savings achieved from January 2002 through January 2003. Over the past year, purchases totaled \$17.2 million and approximately \$1.5 million in savings over standard educational pricing was achieved.

| <b>Computer Hardware Purchases &amp; Savings</b> |                         |                    |
|--------------------------------------------------|-------------------------|--------------------|
| <b>State</b>                                     | <b>Volume Purchased</b> | <b>Savings</b>     |
| Illinois                                         | \$6,692,872             | \$602,358          |
| Indiana                                          | \$2,859,133             | \$257,322          |
| Kansas                                           | \$44,188                | \$3,976            |
| Michigan                                         | \$4,058,284             | \$365,245          |
| Minnesota                                        | \$1,036,712             | \$93,304           |
| Missouri                                         | \$107,874               | \$9,708            |
| Nebraska                                         | \$2,137,676             | \$192,390          |
| North Dakota                                     | \$1,485                 | \$133              |
| Ohio                                             | \$83,688                | \$7,531            |
| Wisconsin                                        | \$215,667               | \$19,410           |
| <b>Total</b>                                     | <b>\$17,237,579</b>     | <b>\$1,551,377</b> |

In addition to the above savings, the MHEC Hardware Program saves institutions money and simplifies their purchasing process by alleviating their need to conduct an RFP. The Hardware Program has already undertaken the time and expense of an RFP thereby freeing up institutions of this burden. Institutions can purchase their hardware through the program knowing that the due diligence in selecting a vendor has already been done.

**Computing Hardware Committee**  
Dennis Linster, Wayne State College, NE (Chair)  
Ernie Kramer, Indiana State University  
R. Gavin Leach, Northern Michigan University  
Gary L. Ott, Wichita State University, KS

## **Novell/MHEC Higher Education Collaborative**

**Program Officer: Rob Trembath**

Operating an institution of higher education requires the authenticated retrieval, use and transmission of a significant amount of information campus wide. Novell software and service offers unique solutions to higher education's needs by enabling the right people to have secure access to this information anywhere and anytime, regardless of the different types and numbers of technical environments that may be in place at the institution. However, because of Novell's pricing structure, many institutions were either unable to fully utilize these solutions, or were unable to purchase them altogether. Technical support and training for Novell products was also costly and difficult to access, thereby limiting the number of ways institutions were able to use the products.

In July 2002, the Midwestern Higher Education Commission's Computing Resources Taskforce created the Novell/MHEC Higher Education Collaborative to help Midwestern colleges and universities address these issues with Novell. The Collaborative was established to make Novell products, services and training more accessible, affordable and beneficial for higher education. Under the Collaborative, participating institutions receive significant discounts on Novell software. As a result, Midwestern colleges and universities, regardless of size, are now able to get the best pricing Novell offers. During the first eight months of the program, the 61 systems or institutions that have joined the Collaborative have saved \$711,231 on their purchases of Novell software.

### **State Savings Achieved from Novell Software Collaborative Purchase**

| <b>State</b>        | <b>Savings</b>   |
|---------------------|------------------|
| Illinois            | \$122,519        |
| Indiana             | \$105,810        |
| Kansas              | \$36,484         |
| Michigan            | \$112,705        |
| Minnesota           | \$36,344         |
| Missouri            | \$106,416        |
| Nebraska            | \$13,447         |
| North Dakota        | \$19,272         |
| Ohio                | \$158,234        |
| Wisconsin           | \$0              |
| <b><i>Total</i></b> | <b>\$711,231</b> |

Because institutions that are current Novell customers are not eligible to participate in the Collaborative until the anniversary date of their Novell academic license agreement, it is believed many more institutions will be joining the Collaborative in the near future.

Another benefit institutions receive when they join the Collaborative is simplified access and reduced prices for premium technical support. Collaborative members save as much as \$200 on each incident of technical support they buy from Novell. These savings mean that many

institutions are now able to access technical support when in the past it would have been too cost prohibitive for them to do so. The end result is less down time and a more efficient use of resources.

More training and professional development opportunities at reduced costs are another benefit of the Collaborative. Since January 2003, more than 75 institutions have participated in free monthly training sessions on various Novell software applications. In summer 2003, several advanced training classes will be offered at no charge to Collaborative members at various locations across the Midwest. MHEC is also working with Novell, third party training companies, and Novell certified colleges and universities in the Midwest to offer reduced priced training for Collaborative members. As a result of better access to technical support and training, Collaborative members are able to leverage their existing investments in Novell into greater and enhanced uses.

**Computing Software Committee**

Dennis Linster, Wayne State College, NE (Chair)  
Stephen Cawley, University of Minnesota - Twin Cities  
Grant Crawford, North Dakota University System Office at NDSU  
Ernie Kramer, Indiana State University  
R. Gavin Leach, Northern Michigan University  
Joseph Miragliotta, College of DuPage, IL  
Ken Niemi, Minnesota State Colleges and Universities  
Gary L. Ott, Wichita State University, KS  
Thomas Phillip, Concordia University, WI  
Peggy Quisenberry, University of Missouri Business Services

## Telecommunications

**Program Officer: Ann Grindland**

Colleges and universities provide students and staff access to superior quality and affordable technologies for everything from online registration to online classes. In addition to the usual telephone lines, campuses supply bandwidth and install wireless technologies to support interactive video classes, conduct classes online and equip classrooms with presentation technologies.

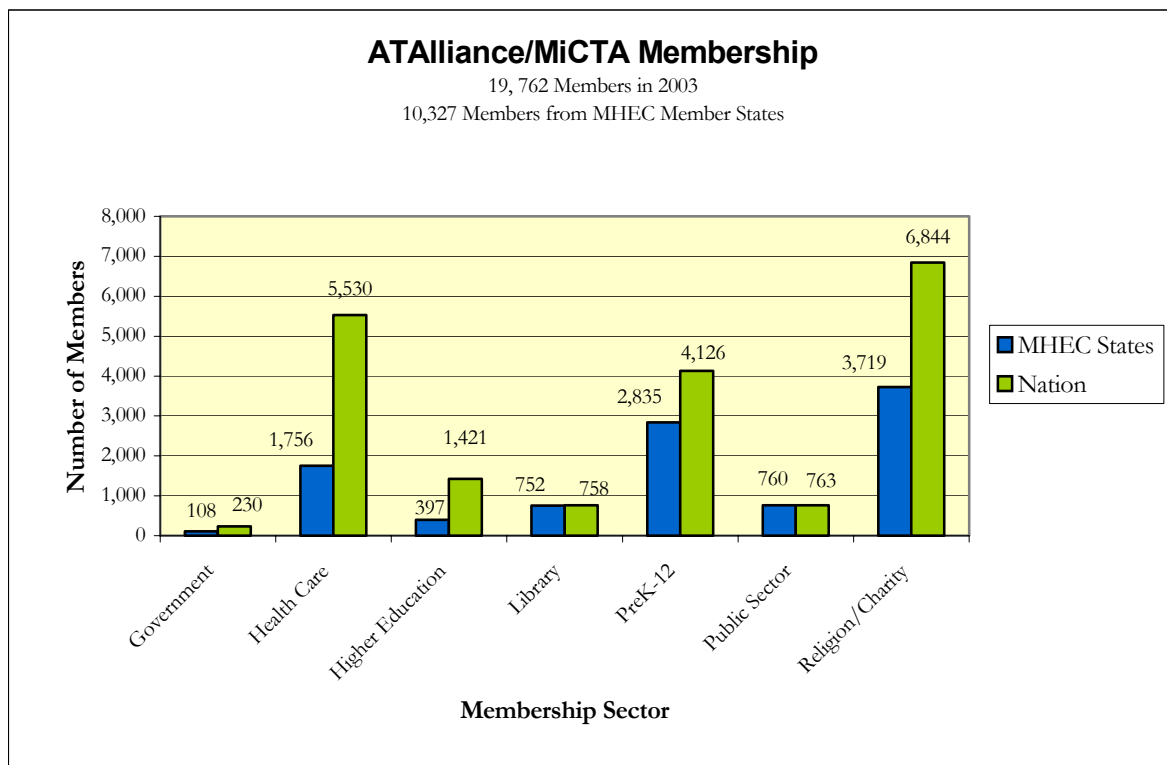
MHEC provides low-cost access to telecommunication products and services through the American TelEdCommunications Alliance (ATAAlliance; [www.ATAAlliance.com](http://www.ATAAlliance.com)). Through this national alliance, experts from Midwestern colleges, universities and state agencies join with those from other regions of the country to address the technology needs of higher education. Building on the work pioneered nationally by MiCTA (a national nonprofit technology association), the ATAAlliance acts as a strong voice for education and other nonprofit entities, shaping technology policy and standards and also facilitating the sharing of expertise across the nation.

Participants enjoy considerable savings while gaining access to top-end technologies. Contracts are the result of a competitive RFP bid process designed to satisfy the standards and requirements of most states' procurement regulations. Unique local terms and conditions are added through the execution of participation agreements between members and vendors. Members spend less time and effort on procurement processes than they would otherwise on their own.

The ATAAlliance/MiCTA membership totals 19,762. Since MiCTA originated in Michigan in the 1980s, the majority of the membership is from MHEC-member states, just over ½ of the members. A complete listing of members can be found on [www.micta.org](http://www.micta.org). Members are listed by category. Current membership for MHEC-member states includes:

- 108 Government Entities;
- 1,756 Health Care Organizations;
- 397 Higher Education Institutions and Agencies;
- 752 Libraries;
- 2,835 PreK-12 Schools (primarily private schools except in the state of Michigan);
- 760 Public Sector Organizations;
- 3,719 Religious and Charitable Organizations.





During the 2002 –2003 academic year, the ATAlliance has focused programs for online learning course management tools and for wireless/cellular service. The ATAlliance expects to announce contracts in these two areas in 2003.

#### **Telecommunications Committee**

Craig Klimczak, University of Missouri – Kansas City (Chair)

Stephen Cawley, University of Minnesota – Twin Cities

Jerry Fossum, Information Technology Department, ND

Michael Frazier, Denison University, OH

Dick Johnson, Minnesota State Colleges and University System

Kenneth E. Johnson, MSC, MI

Richard Lehn, University of North Dakota Main Campus

Bill Mitchell, MORENet, MO

Lynn Murphy, Illinois Century Network

Robert Nelson, Milwaukee Public Schools, WI

Edward J. Tully, Indiana Higher Education Telecommunications Systems

#### **American TelEdCommunications Board of Directors**

John Sundstrom, MiCTA, President

Robert A. Weygand, NEBHE, President-Elect

Mark Musick, SREB, Vice President

David Longanecker, WICHE, Secretary

Bob Kustra, MHEC, Treasurer

## Midwest Student Exchange Program

**Program Officer: Jennifer Dahlquist**

An increase in tuition and fees at institutions of higher education has resulted in students and their families paying for a larger portion of post-secondary education costs. Although the costs of tuition and fees are only a part of the affordability equation, many students and parents as well as policymakers are concerned that colleges and universities are pricing themselves beyond the reach of many families. For many students, the thought of going out of state may no longer be a reality due to these increases.

Since 1994, MHEC has been providing more affordable educational opportunities for students to attend out-of-state institutions at reduced costs. The Midwest Student Exchange Program (MSEP) serves as the Midwest's largest multi-state tuition reciprocity program. Over 125 campuses from the participating states of Kansas, Michigan, Minnesota, Missouri, Nebraska and North Dakota have opened their doors to students at reduced rates. Public institutions enrolling students under MSEP agree to charge no more than 150% of the in-state resident tuition rate, while private institutions offer a 10% reduction on their tuition rates.

In order for a college or university to participate in MSEP, the state higher education office must endorse the program by signing the participation agreement and appointing a representative to the MSEP Council. This agreement allows any institution in that state to voluntarily join MSEP. Institutions participating in MSEP have the ability to tailor the program to their individual campus needs. For example, an institution may select only those degree programs needing an increased enrollment in and limit the programs that are already popular among students. The admissions requirements are set by each campus along with the available programs of study. More and more campuses are using MSEP to attract out-of-state students by offering them an affordable solution.

### Midwest Student Exchange Program Fall 2002 Campus Participation

| State                  | Campuses   |
|------------------------|------------|
| Illinois <sup>1</sup>  | 0          |
| Indiana <sup>1</sup>   | 0          |
| Kansas                 | 6          |
| Michigan               | 5          |
| Minnesota              | 56         |
| Missouri               | 37         |
| Nebraska               | 12         |
| North Dakota           | 11         |
| Ohio <sup>1</sup>      | 0          |
| Wisconsin <sup>1</sup> | 0          |
| <b>Totals</b>          | <b>127</b> |

<sup>1</sup> Non-participating state

### Program Enrollment by Students' Home State of Residence

| State              | 2002-03 school year |
|--------------------|---------------------|
| Kansas             | 981                 |
| Michigan           | 288                 |
| Minnesota          | 109                 |
| Missouri           | 235                 |
| Nebraska           | 784                 |
| North Dakota       | 5                   |
| Other <sup>2</sup> | 249                 |
| <b>Total</b>       | <b>2,651</b>        |

<sup>2</sup> Other refers to students from non-participating MHEC states. A few institutions extend the MSEP benefits to all students enrolling from MHEC member states even though the students' home states have not endorsed the program.

The final table below summarizes the program savings for 2002. In the 2002-2003 school year MSEP saved students and their families \$7.9 million dollars.

**Tuition Savings by State of Residence  
2002-2003 school year and totals (in thousands)**

| <b>State</b>         | <b>2002-03 School Year</b> |
|----------------------|----------------------------|
| Kansas               | \$3,063.1                  |
| Michigan             | \$704.0                    |
| Minnesota            | \$389.0                    |
| Missouri             | \$847.6                    |
| Nebraska             | \$2,162.2                  |
| North Dakota         | \$19.8                     |
| Other <sup>3</sup>   | \$738.5                    |
| <b><i>Totals</i></b> | <b>\$7,924.2</b>           |

<sup>3</sup> A few institutions extend the MSEP benefits to all students enrolling from MHEC member states even though the students' home states have not endorsed the program. These are those student enrollments.

Through the Midwest Student Exchange Program, educational opportunities for students in the Midwest have been expanding, thus promoting access and affordability in higher education. MSEP continues to be a priority for the Midwestern Higher Education Commission.

**Midwest Student Exchange Program Council**

Cheryl Maplethorpe, Minnesota Higher Education Services Office (***Chair***)

Jamie Abel, Ohio Board of Regents

Michael Boulus, Presidents Council, State Universities of Michigan

Ginny Dodds, Minnesota Higher Education Services Office

James Folkening, Michigan Department of Education

Amanda L. Golbeck, Kansas Board of Regents

Daniel Layzell, Illinois Board of Higher Education

Stephen Lehmkuhle, University of Missouri System Administration

Kadi Lukesh, Nebraska Coordinating Commission for Postsecondary Education

Dan Peterson, Missouri Coordinating Board for Higher Education

Peggy Wipf, North Dakota University System

## Master Property Program

Program Officer: Mary Feilmeyer

The Master Property Program is a regional collaborative venture that provides comprehensive property coverage specifically tailored to the needs of today's college campuses while reducing insurance costs and improving asset protection. The Master Property Program has generated more than \$18.9 million in savings in 2002. The program is underwritten by FM Global and is jointly administered by Marsh and Captive Resources, Inc. under the direction of an oversight committee representative of the insured institutions. Membership includes 35 institutions with total insured values over \$38 billion.

Still feeling the effects of the hard market, the 2002 renewal continued to be a challenge for its members. Institutions faced 40% premium increases with the Program's third year with FM Global. The Program also saw particular restrictions in areas such as reduction in limits, earthquake coverage, Flood Zone A and no terrorism coverage.

The group met in Kansas City for the 4<sup>th</sup> Annual Loss Control Workshop. Facilitators addressed several topics of concern, including: Terrorism, Campus Fire Safety, Campus Violence, Lessons from Property Losses and Determining Values. The Workshop allows a great opportunity for colleagues facing the same property challenges on their campuses to come together and learn from each other.

Viable prospects continue to be interested in the Program. A significant addition to the Program this year occurred when the Illinois Public Higher Education Cooperative (IPHEC) joined at the July 1, 2002 renewal.

The following Table summarizes by state, the premium savings realized by participating institutions. The savings are based on actual dollar savings in addition to projected savings that institutions save as Program participants versus being outside the Program.

### Master Property Insurance Program 2002 Savings Achieved

| State        | Participating Institutions |
|--------------|----------------------------|
| Illinois     | \$3,448,940                |
| Kansas       | \$102,320                  |
| Michigan     | \$3,579,475                |
| Minnesota    | \$3,653,636                |
| Missouri     | \$4,230,580                |
| Nebraska     | \$2,360,697                |
| <b>Total</b> | <b>\$18,918,648</b>        |

**Master Property Insurance Program**  
**Participating Institutions and Total Insured Values**

| State            | Participating Institution                                                                       | Total Insured Values |
|------------------|-------------------------------------------------------------------------------------------------|----------------------|
| <b>Illinois</b>  | IPHEC (Illinois Public Higher Education Cooperative):                                           |                      |
|                  | Chicago State University                                                                        | \$190,736,000        |
|                  | Eastern Illinois University                                                                     | 1,038,901,000        |
|                  | Governors State University                                                                      | 6,325,000            |
|                  | Illinois State University (Bloomington)                                                         | 1,123,049,000        |
|                  | Northeastern Illinois                                                                           | 268,924,836          |
|                  | Northern Illinois University (DeKalb, Hoffman Estates, Naperville, Rockford, Lorado Taft Field) | 1,137,295,000        |
|                  | Southern Illinois University (Carbondale & Edwardsville)                                        | 1,170,077,000        |
|                  | University of Illinois (Chicago, Urbana-Champaign & Springfield)                                | 5,569,757,944        |
|                  | Western Illinois University                                                                     | 786,122,000          |
| <b>Kansas</b>    | Johnson County Community College                                                                | 157,626,521          |
| <b>Michigan</b>  | M.U.S.I.C. (Michigan University Self-Insurance Corporation):                                    |                      |
|                  | Central Michigan University                                                                     | 854,839,791          |
|                  | Eastern Michigan University                                                                     | 664,962,540          |
|                  | Ferris State University                                                                         | 542,271,425          |
|                  | Grand Valley State University                                                                   | 556,179,920          |
|                  | Lake Superior State University                                                                  | 174,871,139          |
|                  | Michigan Technological University                                                               | 501,235,997          |
|                  | Northern Michigan University                                                                    | 430,109,482          |
|                  | Oakland University                                                                              | 582,937,124          |
|                  | Saginaw Valley State University                                                                 | 253,821,587          |
|                  | Wayne State University                                                                          | 1,605,877,799        |
|                  | Western Michigan University                                                                     | 1,260,736,781        |
| <b>Minnesota</b> | University of Minnesota (Twin Cities, Crookston, Duluth & Morris)                               | 5,853,586,807        |
| <b>Missouri</b>  | Central Missouri State                                                                          | 546,223,960          |
|                  | Harris Stowe State College                                                                      | 42,074,541           |
|                  | Lincoln University                                                                              | 172,859,114          |
|                  | Missouri Southern State College                                                                 | 142,223,376          |
|                  | Missouri Western State College                                                                  | 185,120,009          |
|                  | Northwest Missouri State University                                                             | 371,392,111          |
|                  | Southeast Missouri State University                                                             | 486,223,442          |
|                  | Southwest Missouri State University                                                             | 606,003,578          |
|                  | Truman State University                                                                         | 403,757,004          |
|                  | St. Louis Community Colleges (Forest Park, Florissant Valley & Meramec)                         | 295,818,830          |
|                  | University of Missouri (Columbia, Kansas City, Rolla & St. Louis)                               | 5,400,233,032        |
| <b>Nebraska</b>  | Nebraska State College System (Chadron State College, Peru State College, Wayne State College)  | 4,321,243,902        |
|                  | University of Nebraska (Lincoln, Kearney, Medical Center & Omaha)                               | 4,321,243,902        |
| <b>Totals</b>    |                                                                                                 | \$38,197,722,474     |

### **Master Program Committee**

Wm. A. Payton, University of Missouri System (Chair) \*

Terri Agee, Missouri Southern State College

Carla Ahrens, State of Missouri Office of Administration Risk Management \*

Catherine Anderson, Chicago State University, IL

Kevin Bame, Southern Illinois University Carbondale

Nancy Baxter, Northwest Missouri State University

James Bradley, Northern Michigan University

Mary C. Brooks, Eastern Michigan University

Rick Christner, Ferris State University, MI

Greg Clayton, University of Nebraska – Lincoln \*

Thomas Clayton, Johnson County Community College, KS \*

Jeffrey L. Cooley, Eastern Illinois University

Raymond J. Courter, Northwest Missouri State University

Cheryl Cragg, Truman State University, MO

Kenneth L. Davidson, Northern Illinois University \*

Richard Davis, Southern Illinois University Carbondale

Michael Doxey, Grand Valley State University, MI \*

JoAnne Flowers, University of Missouri System

Mark Gardner, Central Missouri State University

Robert Harrington, Missouri Southern State College

Janet Hayden, Michigan Technological University

Linda Hillyer, Western Illinois University

Dale T. Irish, Saginaw Valley State University, MI

Homer L. Isaac, Jr., Wayne State University, MI

David Jonaitis, Northeastern Illinois University

Cary Jones, University of Minnesota - Twin Cities \*

Dean R. Justmann, Chicago State University, IL

Patricia J. Kale, University of Illinois \*

Timothy Kellogg, Western Michigan University \*

George Kroder, Saint Louis Community College, MO

Catherine Lark, Oakland University, MI

Margaret Leahy, Oakland University, MI

Tina McEllin, University of Illinois at Urbana-Champaign

Barbara A. Morrow, Harris-Stowe State College, MO

Thomas Nelson, Southeast Missouri State University

Ron Olinger, Missouri Western State College

Jennifer Peterman, Lake Superior State University, MI

Lowell P. Rinker, Western Michigan University

Nick Roach, Southwest Missouri State University

Larry E. Schultz, Nebraska State College System

Jim Scott, Illinois State University

Tom Stepke, Governors State University, IL

Jan Trionfi, Central Michigan University

Tesfai Tsehaie, Lincoln University, MO

John Tuohy, Governors State University, IL

Christina Weber, Ferris State University, MI

Clair Williams, Northern Illinois University

Richard Works, Illinois State University

\* Master Property Program Oversight Committee

# MHEC POLICY

The Midwestern Higher Education Commission is one of four interstate compacts in the nation devoted to improving the quality of higher education in its region. MHEC will strengthen its effectiveness as a resource to state education leaders and public officials in the region by increasing its emphasis on information sharing and policy analysis. As states struggle to overcome the boom-and-bust cycle that has come to characterize the funding of higher education lately, new and improved data and analysis will help policymakers facing difficult choices.

MHEC's strategic plan calls for:

- The publication of a Midwestern Data Book on Higher Education;
- A series of quarterly policy reports focusing on the effectiveness and affordability of higher education;
- A journal of best practices for state education leaders to share across the region.

MHEC's 2002 policy and research initiatives include the following:

- *Measuring Up 2002: A National Report Card, A Midwest Perspective*, based on research conducted by the National Center for Public Policy and Higher Education, to be published in May 2003.
- *Increases in Tuition and Fees: 2002-2003*, presented to MHEC commissioners and policymakers, November 2002.
- October 2002 MHEC Newsletter Update: *Midwest Ranks Prominently in Rating of America's Top Research Universities*, based on the study by *TheCenter*, an annual report from the Lombardi Program on Measuring University Performance, University of Florida.
- August 2002 MHEC Newsletter Update: *Midwest Implications of the Out of Field Teaching Report by the Education Trust*.
- An analysis of the funds distributed by the federal Fund for the Improvement of Postsecondary Education (FIPSE) to the interstate higher education compacts, 1994-2002.
- Surveys on Midwest appropriations for higher education conducted in August 2002 and to be updated in 2003.

In addition to the reports and newsletter articles, MHEC's policy agenda was furthered by the information shared at the November 2002 Commission Meeting, which addressed the role of the higher education compact in improving the quality of American higher education. The sessions included the following:

- David Longanecker, Executive Director of the Western Interstate Commission for Higher Education (WICHE), addressed the role of higher education compacts in improving the quality of higher education using WICHE as a case study.

- 
- Midwestern legislative and educational leaders led a panel discussion on *The Midwestern Challenge*.
  - Burks Oakley, Associate Vice President of Academic Affairs, University of Illinois, addressed the Commission in a speech entitled *Distance Education: A Progress Report*.
  - *An Update on Affordability of Higher Education* was the topic addressed by Bob Poch, Director of the Minnesota Higher Education Services Office.
  - *The Role of P-16 Initiatives in Supporting a Seamless Educational System* was presented by Stanley Ikenberry, President Emeritus, University of Illinois and Former President of the American Council of Education.
  - Dan LaVista, Executive Director, Illinois Board of Higher Education, shared a *Case Study. The Illinois Commitment*, a report on the state's response to the higher education needs of minorities.



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**MHEC AUDITED  
FINANCIAL STATEMENTS**

**MIDWESTERN HIGHER  
EDUCATION COMMISSION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2002**

MIDWESTERN HIGHER EDUCATION COMMISSION

FINANCIAL STATEMENTS

For the Year Ended June 30, 2002  
(With Comparative Totals for 2001)

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To the Executive Committee  
Midwestern Higher Education Commission  
Minneapolis, Minnesota

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Midwestern Higher Education Commission as of June 30, 2002, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Midwestern Higher Education's 2001 financial statements and, in our report dated September 12, 2001, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwestern Higher Education Commission as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

Saint Paul, Minnesota  
September 6, 2002

MIDWESTERN HIGHER EDUCATION COMMISSION

STATEMENT OF FINANCIAL POSITION

June 30, 2002  
(With Comparative Totals for 2001)

|                                    | 2002              | 2001              |
|------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                      |                   |                   |
| Cash                               | \$ 409,678        | \$ 230,226        |
| Interest receivable                | 2,898             | 3,847             |
| Risk management receivable         | -                 | 50,000            |
| Membership dues receivable         | 82,500            | -                 |
| Other receivables                  | 1,982             | 4,717             |
| Prepaid expense                    | <u>1,153</u>      |                   |
| Total assets                       | <u>\$ 498,211</u> | <u>\$ 288,790</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                   |                   |
| Accounts payable                   | \$ 33,873         | \$ 24,419         |
| Accrued payroll                    | 61,763            | 19,938            |
| Prepaid member dues                | -                 | <u>82,500</u>     |
| Total liabilities                  | <u>95,636</u>     | <u>126,857</u>    |
| Net assets:                        |                   |                   |
| Unrestricted net assets            |                   |                   |
| Board designated - risk management | 50,000            | 46,847            |
| Other                              | <u>345,075</u>    | <u>107,586</u>    |
| Total unrestricted                 | 395,075           | 154,433           |
| Temporarily restricted             | <u>7,500</u>      | <u>7,500</u>      |
| Total net assets                   | <u>402,575</u>    | <u>161,933</u>    |
| Total liabilities and net assets   | <u>\$ 498,211</u> | <u>\$ 288,790</u> |

See accompanying notes to financial statements.

MIDWESTERN HIGHER EDUCATION COMMISSION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2002  
(With Comparative Totals for 2001)

|                                                      | 2002         |                           |            | 2001       |
|------------------------------------------------------|--------------|---------------------------|------------|------------|
|                                                      | Unrestricted | Temporarily<br>restricted | Total      |            |
| Revenues:                                            |              |                           |            |            |
| Member dues                                          | \$ 825,000   | \$ -                      | \$ 825,000 | \$ 750,000 |
| Other income:                                        |              |                           |            |            |
| Risk Management Program                              | 89,199       | -                         | 89,199     | 102,446    |
| Academic Course Scheduling                           | 32,910       | -                         | 32,910     | 37,981     |
| Telecom Program Reimbursement                        | 20,000       | -                         | 20,000     | -          |
| Computer Collaborative                               | 10,765       | -                         | 10,765     | -          |
| Natural Gas Program                                  | -            | -                         | -          | 40         |
| Distributed Learning Workshop - salary reimbursement | 38,000       | -                         | 38,000     | 30,000     |
| Contributions                                        | -            | -                         | -          | 7,500      |
| Interest income                                      | 17,064       | -                         | 17,064     | 26,000     |
| Total revenues                                       | 1,032,938    | -                         | 1,032,938  | 953,967    |
| Program services:                                    |              |                           |            |            |
| Commission                                           | 526,213      | -                         | 526,213    | 587,563    |
| Commission Meetings                                  | 59,792       | -                         | 59,792     | 76,555     |
| Search Committee                                     | 20,353       | -                         | 20,353     | 14,340     |
| Midwest Student Exchange                             | 9,989        | -                         | 9,989      | 8,013      |
| Telecommunications Program                           | 12,688       | -                         | 12,688     | 17,417     |
| Computing Resources Initiative                       | 20,309       | -                         | 20,309     | 17,546     |
| EMMI                                                 | 214          | -                         | 214        | 12,981     |
| Risk Management Program                              | 23,626       | -                         | 23,626     | 27,223     |
| Academic Course Scheduling                           | 2,393        | -                         | 2,393      | 19         |
| Natural Gas Program                                  | -            | -                         | -          | 942        |
| Distributed Learning Workshop                        | 3,485        | -                         | 3,485      | 924        |
| Interactive Courseware Initiative                    | 218          | -                         | 218        | -          |
| Total program services                               | 679,280      | -                         | 679,280    | 763,523    |
| Management and general expenses                      | 113,016      | -                         | 113,016    | 133,450    |
| Total expenses                                       | 792,296      | -                         | 792,296    | 896,973    |
| Change in net assets                                 | 240,642      | -                         | 240,642    | 56,994     |
| Net assets, beginning of year                        | 154,433      | 7,500                     | 161,933    | 104,939    |
| Net assets, end of year                              | \$ 395,075   | \$ 7,500                  | \$ 402,575 | \$ 161,933 |

See accompanying notes to the financial statements.

MIDWESTERN HIGHER EDUCATION COMMISSION

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2002  
(With Comparative Totals for 2001)

|                               | 2002                |                              |                   |                   |
|-------------------------------|---------------------|------------------------------|-------------------|-------------------|
|                               | Program<br>Services | Management<br>and<br>General | Total             | 2001              |
| Salaries and benefits         | \$ 392,172          | \$ 99,053                    | \$ 491,225        | \$ 489,772        |
| Legal fees                    | 357                 | -                            | 357               | 1,344             |
| Accounting fees               | 3,690               | 410                          | 4,100             | 5,380             |
| Contract services             | 9,059               | 1,007                        | 10,066            | 16,666            |
| Office space lease (U of M)   | 28,080              | 3,120                        | 31,200            | 31,200            |
| Business services (U of M)    | 13,365              | 1,485                        | 14,850            | 15,000            |
| Auto and parking              | 15,424              | 1,714                        | 17,138            | 14,146            |
| Office supplies               | 2,877               | 320                          | 3,197             | 3,436             |
| Postage                       | 13,287              | 339                          | 13,626            | 10,468            |
| Printing                      | 21,552              | 832                          | 22,384            | 25,178            |
| Subscriptions                 | 566                 | 63                           | 629               | 763               |
| Software/maintenance contract | 3,816               | 424                          | 4,240             | 10,113            |
| Telephone                     | 13,028              | 1,448                        | 14,476            | 12,756            |
| Insurance                     | 2,768               | 308                          | 3,076             | 5,410             |
| Membership                    | 1,105               | 123                          | 1,228             | 1,336             |
| Miscellaneous                 | 28,521              | 394                          | 28,915            | 16,855            |
| Proposal research             | -                   | -                            | -                 | 19,908            |
| Travel/meeting/conference     | 117,222             | 1,492                        | 118,714           | 177,957           |
| Office remodeling             | -                   | 277                          | 277               | 32,641            |
| Office equipment              | 1,864               | 207                          | 2,071             | 6,644             |
| Risk management               | 10,527              | -                            | 10,527            | -                 |
|                               | <u>\$ 679,280</u>   | <u>\$ 113,016</u>            | <u>\$ 792,296</u> | <u>\$ 896,973</u> |

See accompanying notes to the financial statements.

MIDWESTERN HIGHER EDUCATION COMMISSION

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2002  
(With Comparative Totals for 2001)

Increase (Decrease) in Cash

|                                                                                         | <u>2002</u>              | <u>2001</u>              |
|-----------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Change in net assets                                                                    | \$ 240,642               | \$ 56,994                |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities: |                          |                          |
| Interest receivable                                                                     | 949                      | 108                      |
| Receivables                                                                             | (29,765)                 | (50,717)                 |
| Prepaid expense                                                                         | (1,153)                  | 2,565                    |
| Accounts payable                                                                        | 9,454                    | (3,583)                  |
| Accrued payroll                                                                         | 41,825                   | 7,840                    |
| Prepaid member dues                                                                     | (82,500)                 | 7,500                    |
| Due to institutions                                                                     | <u>-</u>                 | <u>(27,752)</u>          |
| Net cash from operating activities                                                      | 179,452                  | (7,045)                  |
| Cash at beginning of year                                                               | <u>230,226</u>           | <u>237,271</u>           |
| Cash at end of year                                                                     | <u><u>\$ 409,678</u></u> | <u><u>\$ 230,226</u></u> |

See accompanying notes to the financial statements.

# MIDWESTERN HIGHER EDUCATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2002  
(With Comparative Totals for 2001)

### 1. THE ORGANIZATION

The Midwestern Higher Education Commission (Commission) commenced operations in 1991, as a not-for-profit corporation to improve higher education opportunities and services in the Midwestern United States through interstate cooperation. The member states of the organization include Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio and Wisconsin.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Statement Presentation** - The Commission reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Commission has no permanently restricted net assets.

**Contributions** - Contributions are recognized when the donor makes an unconditional commitment to give to the Commission. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and transferred to unrestricted net assets when restrictions expire or the condition is met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

**Equipment** - Equipment consists primarily of office furniture and fixtures and is expensed upon purchase. Total expenditures were \$2,071 for fiscal 2002 and \$11,457 for fiscal 2001. The Commission also expensed \$27,827 of leasehold improvements in 2001.

**Member Dues** - Member's dues are recognized pro rata over the period of their contractual agreements (July 1 through June 30).

**Income Taxes** - The Commission has been granted exemption from income taxes under Section 501(c) (3) of the Internal Revenue Code and the applicable Minnesota statutes.

**Functional Expenses** - Expenses by function have been allocated among program and supporting services classifications based upon direct expenditures and estimates made by the Commission's management. Fund raising expenses are limited and have been included within management and general expenses.

(Continued)



MIDWESTERN HIGHER EDUCATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2002  
(With Comparative Totals for 2001)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Total Column** - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2001, from which the summarized information was derived.

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of cash that is restricted for preliminary research and planning for a Workforce Development Initiative.

4. **COMMITMENTS**

The Commission has an employment agreement with its former President which expires December 31, 2002. The Agreement requires payments of \$45,000 through December 31, 2002.

5. **RETIREMENT PLAN**

Through the University of Minnesota, the Commission offers eligible full-time employees the option to participate in a tax sheltered deferred annuity plan immediately upon employment. In accordance with the University's policy, employees are eligible to participate in the plan after 5 years of service or when their salary reaches \$50,000. The employee can contribute to the plan through payroll withholdings. The Commission contributes 13.5% of the employee's salary to the plan. Contributions were \$39,475 and \$34,286 for 2002 and 2001, respectively.

6. **RELATED PARTIES**

The Commission has an agreement with the University of Minnesota (the University) to provide personnel, occupancy, purchasing, accounting and administrative services as needed by the Commission. Either party may terminate the agreement with 180 days notice.

The Commission pays the University an annual fee of 2% of the state appropriation base for each year. The Commission paid \$14,850 and \$15,000 for 2002 and 2001, respectively.

The University holds the Commission's cash in accounts at the University, this subjects the Commission to a credit risk.

(Continued)

MIDWESTERN HIGHER EDUCATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2002  
(With Comparative Totals for 2001)

6. **RELATED PARTIES (Continued)**

The Commission leases office space from the University under a sublease agreement that expires November 30, 2002. The monthly lease payment is fixed at \$2,600. Office space expense was \$31,200 for 2002 and 2001. The future minimum lease payments are as follows:

|      |                  |
|------|------------------|
| 2002 | <u>\$ 13,000</u> |
|------|------------------|

7. **CONTINGENT LIABILITIES**

Management is not aware of any pending or threatened litigation, claims or assessments.

# MHEC STAFF & COMMISSIONERS 2002

Bob Kustra, President  
Jennifer Dahlquist, Program/Budget Officer  
Mary Feilmeyer, Program & Communications Officer  
Ann Grindland, Program Officer  
Rob Trembath, Program Officer/In-House Counsel

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Chair: Brian Rude, WI  
Vice-Chair: Lana Oleen, KS  
Treasurer: William Napier, OH

## ILLINOIS

Jerry Blakemore  
Brad Burzynski  
Judy Erwin  
Martha Olsson  
Keith Sanders  
Dan LaVista (Alternate)  
David Wirsing (Alternate)

## MICHIGAN

Sandy Caul  
Ron Jelinek  
Keith Pretty  
John J.H. Schwarz  
William Sederburg  
Edward Blews (Alternate)  
James Kosteva (Alternate)

## NORTH DAKOTA

Bruce Christianson  
Tim Flakoll  
William Goetz  
Larry Isaak  
Francis Wald

## INDIANA

Dennis Avery  
Michael Gery  
Stanley Jones  
Teresa Lubbers  
Don Weaver  
Anthony Maidenberg (alternate)

## MINNESOTA

Robert Bruininks  
David Laird  
Peggy Leppik  
James McCormick  
Deanna Wiener  
Lyndon Carlson (Alternate)  
Robert Poch (Alternate)

## OHIO

Dorothy Baunach  
Robert Gardner  
Jim Hughes  
William Napier  
David Ponitz  
Rod Chu (Alternate)  
Sally Perz (Alternate)

## KANSAS

William Docking  
Duane Goossen  
Lana Oleen  
JoAnn Pottorf  
Kim Wilcox  
Christine Downey (Alternate)  
Jonathan Wells (Alternate)

## MISSOURI

Gerald Brouder  
Ken Jacob  
Manuel Pacheco  
Kala Stroup  
Deleta Williams

## WISCONSIN

Thomas George  
Richard Grobschmidt  
Rob Kreibich  
Brian Rude  
Rolf Wegenke  
Richard Carpenter (Alternate)

## NEBRASKA

Chris Beutler  
Jay Noren  
Ron Raikes  
Eric Seacrest  
Randolph Ferlic (Alternate)  
David Powers (Alternate)